

Message Text

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ACTION EUR-12

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FM US MISSION EC BRUSSELS
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AMEMBASSY OTTAWA

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PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EEC EPAP US
SUBBUJECT: EC CHEESE EXPORT SUBSIDIES

REF: (A) EC BRUSSELS 12490, (B) EC A-429

1. AN OFFICIAL OF THE CANADIAN MISSION TOLD US CONFIDENTIALLY THAT THEY HAD BEEN ADVISED BY THE COMMISSION THAT THERE WILL BE NO INCREASES IN SUBSIDIES ON EC CHEESE EXPORTS TO CANADA AT THIS TIME. (RECENT INCREASES IN EXPORT SUBSIDIES TO THE UNITED STATES WERE REPORTED IN REF A.) HE SAID AN EC COMMISSION OFFICIAL EXPLAINED THAT THE EC'S DECISION NOT TO INCREASE SUBSIDIES WAS DUE TO THE STRONG REPRESENTATION MADE BY CANADA IN THE PAST AGAINST HIGH EC SUBSIDIES ON CHEESE EXPORTS TO THAT COUNTRY. OUR CANDADIAN SOURCE NOTED THAT EC SUBSIDIES ON CHEESE EXPORTS TO CANADA WERE MUCH HIGHER THAN THOSE APPLICABLE TO THE UNITED STATES, AND OUR REVIEW OF THE FILES CONFIRMS THIS POINT. EC SUBSIDIES APPLICABLE TO CANADA (REF B) ARE STILL CONSIDERABLY LIMITED OFFICIAL USE

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HIGHER IN MOST CASES THAN THE NEW SUBSIDIES APPLICABLE TO THE UNITED STATES (REF A). FOR EXAMPLE, THE SUBSIDY ON EXPORTS OF BLUE-VEINED CHEESE TO CANADA (CODE NO. 4000 00) IS 39.40 U.A./100 KG WHILE THAT APPLICABLE TO THE UNITED STATES SINCE DEC. 21 IS 22.38 U.A./100 KG. WITH THE EXCEPTION OF

"PROCESSED CHEESES" (CODE NOS 4410 10 - 4610 00),
A SIMILAR SPREAD EXISTS BETWEEN US AND CANADIAN
SUBSIDIES FOR OTHE CHEESES. SUBSIDY RATES APPLICABLE
TO THE TWO COUNTRIES FOR PROCESSED CHEESE WILL NOW BE
FAIRLY CLOSE; E.G. FOR PROCESSED CHEESE FALLING UNDER
CODE NO. 4410 10 THE SUBSIDY APPLICABLE TO CANADA IS
14.78 U.A./100 KG WHILE THAT FOR THE UNITED STATES IS
14.58 U.A./100 KG.

2. THE OFFICIAL SAID THAT THE CANADIANS HAVE HELD
EXTENSIVE DISCUSSIONS WITH THE COMMISSION IN RECENT
MONTHS WITH THE GOAL OF PERSUADING TH EC TO REDUCE
ITS CHEESE EXPORT SUBSIDIES TO CANADA. THIS PRESSURE
ON THE EC TO REDUCE SUBSIDIES RESULTS IN LARGE PART
FROMTHE IMPLEMENTATION OF A VERY TOUGH CANADIAN
POLICY TO DISCOURAGE DIARY PRODDUCTION. EARLIER THIS
YEAR THE CANADIAN AGRICULTURAL MINISTER INFORMED
DAIRY PRODUCERS THAT THEY MUST REDUCE PRODUCTION BY
15 PERCENT THIS YEAR. THE OFFICIAL ANTICIPATES THAT
THIS GOAL IS NOW MET. HE ALSO SIAD THAT CANADA HAD
BROUGHT TO THE ATTENTION OF THE COMMISSION SEVERAL
INSTANCES WHERE EC CHEESE EXPORTS HAD SUBSTANTIALLY
UNDERCUT CANADIAN PRICE LEVELS.

3. CANADA HAS ESTABLISHED A QUOTA OF 50 MILLION
POUNDS FOR CHEESE IMPORTS FOR THE 1976/77 MARKETING
YEAR. THIS QUOTA IS DIVIDED AMONGST TRADTIONAL
IMPORTERS WITH A CERTAIN RESERVE LEFT OPEN FOR
NEW IMPORTERS. THE CANADIAN OFFICIAL THOUGHT THAT
THE EC WOULD TAKE ABOUT 60 PERCENT OF THIS QUOTA.HINTON
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